

INTERNATIONAL CITY MANAGERS' ASSOCIATION  
1313 EAST 60TH STREET - CHICAGO 37, ILLINOIS

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## HANDLING PETTY CASH FUNDS

What is the best procedure in creating petty cash funds and how should the operation of such funds be regulated?

The creation of petty cash funds generally is permitted by the city charter or by ordinance but specific authorization is desirable. Perhaps the best procedure is for the chief administrator to issue an administrative regulation governing the operation of such funds, and send copies of the regulations to department heads with a statement indicating that requests for the establishment of petty cash funds be in the hands of the finance director or city manager within a certain specified time, so that an ordinance or resolution can be prepared establishing such funds.

Petty cash funds often are used for traveling and other necessary expenditures as any emergency may call for, and which must be met at once, incidental to the approval and payment of bills. Such funds also are used for small purchases. Payments from petty cash usually are incorporated in summarized form in the accounts of some other fund such as current expense fund, utility fund, etc. The cash is advanced by the treasurer to the officers designated by the ordinance and when the cash advance is depleted the spending officer prepares vouchers of the amounts expended. These vouchers are regularly audited and funds reimbursed in the amount of the voucher. The advances made by the treasurer are carried in the controller's account as cash on hand. It is generally desirable that petty cash disbursement records be submitted for distribution monthly.

The procedure followed by the city of Kansas City, Missouri, is typical of good practice. The city manager informed department heads that requests for the establishment of one or more petty cash and change funds, each fund limited to \$50 at any one time, should be in the hands of the finance director as of a certain date, and that such funds when authorized by ordinance would be subject to the restrictions set forth in the following regulations:

1. How Established. Requests for these funds shall be forwarded to the director of finance. These requests shall state the department and division to be charged, a suggested title or designation for each proposed fund in the department, and also the name of the individual, and his alternate, who will be directly responsible for each fund and the records required therewith. The director of finance shall request the necessary ordinance to establish the funds.

2. Bonded Employee to be Personally Charged with Custody. The director of each department having a petty cash fund shall designate an employee to be personally charged with the custody of each such fund. Said position shall be covered under the city's surety bond schedule in such amount as may be fixed by the director of finance, premium on said bond to be paid by the city. The director of the department shall also designate an alternate to have custody of such fund in the absence of the regular custodian.

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Upon the termination of his employment, or the transfer of the employee or alternate having custody of the petty cash fund, the head of the department shall request a checkout audit of such fund to be made by the commissioner of accounts. Such audit shall be made before final pay check is delivered to the terminated employee.

3. Individual Expenditures Not to Exceed \$5. Expenditures of not more than \$5 for any one item may be made from such funds without further approval by the director of finance.

4. Voucher for Each Expenditure. A petty cash voucher must be completely filled out for each expenditure. These forms are printed and prenumbered in duplicate. One copy will be retained by the department, the original copy will be forwarded to the commissioner of accounts as supporting detail with the "Requisition for Reimbursement of Petty Cash." There should be attached to the original copy of each petty cash voucher, the sales ticket, cash register tickets, or other evidence of the transaction in support of the sum paid from the petty cash fund.

5. Requisition for Reimbursement of Petty Cash. At least once each month the petty cash vouchers will be tabulated on the form "Requisition for Reimbursement of Petty Cash." The vouchers will be listed in numerical order and summarized according to fund, activity and object code, and forwarded to the commissioner of accounts.

6. Voucher and Requisition to be Signed by Designated Employee. No voucher will be accepted unless signed by the designated employee and no requisition for reimbursement of petty cash will be honored unless signed by such employee and approved by the department head.

7. Not to be Used for Purchase of Items Available in City Storerooms. The money in the petty cash fund shall not be used to purchase from vendors items available in city storerooms. Each supporting sales ticket for items generally carried by the storeroom shall bear a statement signed by the employee that said items were not obtainable from the city storeroom.

8. Payments for Personal Services Prohibited. No payments for personal service to city employees shall be made from any petty cash fund.

9. Funds Not to be Abused. Any department attempting to use its petty cash fund for questionable purchases or attempting to circumvent the \$5 maximum on purchases will be deprived of the use of such a fund.

10. I. O. U's in Change or Petty Cash Funds. City employees are not permitted to secure loans from petty cash funds by signing I. O. U's. This practice cannot be tolerated. Any employee needing a small loan should be referred to the credit union.

Change funds are advanced for the convenience of the department in making change only. A change fund is not a petty cash fund and cannot be used for any of the above transactions. Petty cash funds are set up only for the purposes set forth in this regulation. If the purposes of either type of fund are violated, drastic action will be taken against the employees responsible for these funds.